

Bourbon County School District

**Audited Financial Statements
and Other Financial Information**

June 30, 2005

**BOURBON COUNTY SCHOOL DISTRICT
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SUMMERS, MCCRARY & SPARKS, P.S.C.

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INDEPENDENT AUDITOR'S REPORT

Kentucky State Committee for School District Audits
Members of the Board of Education
Bourbon County School District
Paris, Kentucky 40361

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Bourbon County School District as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix II of the Independent Auditor's Contract - State Audit Requirements*, and *Appendix III of the Independent Auditor's Contract - Electronic Submission*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2005, and the respective changes in financial position and the cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2005, on our consideration of Bourbon County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 3 through 5 is not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplemental schedules on pages 37 through 41 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards on page 42 is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the District. The supplemental information and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Summers, McCrary & Sparks, PSC

Summers, McCrary & Sparks, PSC
Lexington, Kentucky
September 23, 2005

BOURBON COUNTY SCHOOL DISTRICT – PARIS, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2005

As management of the **Bourbon County** School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2005. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

FINANCIAL HIGHLIGHTS

The beginning General Fund balance for the District was \$1,387,201.

The district remains committed to increasing certified and classified salaries. A 2% raise was given to all certified and classified staff and an additional 1% increase was given to all certified and classified staff as of January 1, 2005.

The General Fund had \$15.5 million in revenue, which primarily consisted of the state program (SEEK), property, utility, and motor vehicle taxes. Excluding inter-fund transfers, there were \$15.03 million in General Fund expenditures.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the district is improving or deteriorating.

The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed assets and related debt is also supported by taxes and intergovernmental revenues.

The government-wide financial statements can be found on pages 6-7 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental,

proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The only proprietary funds are our vending and food service operations. All other activities of the district are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 8-16 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 17-37 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$8.8 million as of June 30, 2005 as compared to \$8.5 million in the prior year.

The largest portion of the District's net assets reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Net Assets for the periods ending June 30, 2005 and 2004

This is the first year to successfully compare one year from another with consideration of the GASB 34.

	June 30, 2005	June 30, 2004
Current Assets	\$ 3,474,722	\$ 2,692,144
Noncurrent Assets	18,453,972	19,258,508
Total Assets	\$ 21,928,694	\$ 21,950,622
Current Liabilities	\$ 1,699,709	\$ 1,294,175
Noncurrent Liabilities	11,339,990	12,140,997
Total Liabilities	\$ 13,039,699	\$ 13,435,172
Net Assets		
Investment in capital assets (net of debt)	\$ 6,617,734	\$ 7,560,547
Restricted	653,764	606,600
Unreserved Fund Balance	1,617,497	348,303
Total Net Assets	\$ 8,888,995	\$ 8,515,450

Comments on Budget Comparisons

The District's total revenues for the fiscal year ended June 30, 2005, net of Interfund transfers, were \$15.5 million, an increase of \$720,000 from the total revenues of \$14.78 for 2004.

General fund budget compared to actual revenue varied slightly from line item to line item with the ending actual revenues being \$542,879 more than budget. Revenues for 2004 exceeded budget by \$2.4 million. General fund budget compared to actual expenditures varied slightly from line item to line item with the ending actual expenditures being \$1.3 million less than budget.

The following table presents a summary of revenue and expense for governmental funds the fiscal years ended June 30, 2005 and 2004.

	2005	2004
Revenues:		
Local revenue sources	\$ 5,211,103	\$ 4,908,934
State revenue sources	12,543,419	12,014,027
Federal revenue sources	2,965,880	3,147,907
Total revenues	\$ 20,720,402	\$ 20,070,868
Expenses:		
Instruction	\$ 13,180,603	\$ 12,978,830
Student support services	465,758	461,828
Instructional support	567,070	477,974
District administration	634,058	550,926
School administration	1,177,687	1,079,102
Business	239,702	242,010
Plant operations	1,511,681	1,549,484
Student transportation	1,155,232	1,083,978
Central office support	176,877	297,199
Community support	128,969	301,599
Other	925,828	1,275,171
Total expenses	\$ 20,163,465	\$ 19,996,502
Excess (deficit) of revenues over expenses	\$556,937	\$ 74,366

BUDGETARY IMPLICATIONS

In Kentucky the public school fiscal year is July 1-June 30; other programs, i.e. some federal operate on a different fiscal calendar, but are reflected in the district overall budget. By law the budget must have a minimum 2% contingency. Significant Board actions that impacted the finances included a 2% raise for all certified and classified staff effective July 1, 2004 and a 1% increase effective January 1, 2005 for all certified and classified staff and additional staff to offer all day Kindergarten at every elementary.

Questions regarding this report should be directed to Andrea A. Kiser, Accounting Manager (859) 987-2180 or by mail at the Bourbon County Board of Education, 3343 Lexington Rd., Paris, KY 40361.

BOURBON COUNTY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2005

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS:			
Current Assets			
Cash and cash equivalents	\$ 2,532,309	\$ 166,847	\$ 2,699,156
Accounts receivable			0
Taxes	108,094	0	108,094
Accounts	64,948	3,247	68,195
Intergovernmental - State	3,049	0	3,049
Intergovernmental - Federal	533,277	0	533,277
Inventory	0	11,709	11,709
Total Current Assets	<u>3,241,677</u>	<u>181,803</u>	<u>3,423,480</u>
Noncurrent Assets			
Net capital assets	<u>18,332,295</u>	<u>121,677</u>	<u>18,453,972</u>
Total Noncurrent Assets			<u>18,453,972</u>
TOTAL ASSETS	\$ <u>21,573,972</u>	\$ <u>303,480</u>	\$ <u>21,877,452</u>
LIABILITIES:			
Current Liabilities			
Accounts payable	\$ 235,429	\$ 1,401	\$ 236,830
Bank overdraft	229,921	0	229,921
Current portion of bond obligations	765,000	0	765,000
Current portion of lease obligations	49,108	0	49,108
Current portion of accrued sick leave	14,747	0	14,747
Accrued interest payable	104,959	0	104,959
Deferred revenue	<u>299,144</u>	<u>0</u>	<u>299,144</u>
Total Current Liabilities	<u>1,698,308</u>	<u>1,401</u>	<u>1,699,709</u>
Noncurrent Liabilities			
Noncurrent portion of bond obligations	10,670,000	0	10,670,000
Noncurrent portion of lease obligations	302,130	0	302,130
Noncurrent portion of accrued sick leave	<u>317,860</u>	<u>0</u>	<u>317,860</u>
Total Noncurrent Liabilities	<u>11,289,990</u>	<u>0</u>	<u>11,289,990</u>
TOTAL LIABILITIES	<u>12,988,298</u>	<u>1,401</u>	<u>12,989,699</u>
NET ASSETS			
Invested in capital assets, net of related debt	6,546,057	121,677	6,667,734
Restricted for:			
Capital projects	448,326		448,326
Debt service	20,323		20,323
Other purposes (nonexpendable)	4,713	180,402	185,115
Unrestricted	<u>1,566,255</u>		<u>1,566,255</u>
TOTAL NET ASSETS	<u>8,585,674</u>	<u>302,079</u>	<u>8,887,753</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>21,573,972</u>	\$ <u>303,480</u>	\$ <u>21,877,452</u>

See Auditor's Report and Accompanying Notes

**BOURBON COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005**

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	PRIMARY GOVERNMENT		
					GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Primary Government							
Governmental Activities:							
Instructional	\$ 13,901,716	\$ 6,305	\$ 7,594,515	\$ 0	\$ (6,300,896)	\$ 0	\$ (6,300,896)
Support Services:							
Student	467,183	0	0	0	(467,183)	0	(467,183)
Instructional staff	567,641	0	0	0	(567,641)	0	(567,641)
District administration	642,348	0	0	0	(642,348)	0	(642,348)
School administration	1,179,034	0	0	0	(1,179,034)	0	(1,179,034)
Business	240,696	0	0	0	(240,696)	0	(240,696)
Plant operations and maintainance	1,525,361	0	0	0	(1,525,361)	0	(1,525,361)
Student transportation	1,295,807	0	0	0	(1,295,807)	0	(1,295,807)
Non-instructional	180,102	0	0	0	(180,102)	0	(180,102)
Facilities acquisition and construction	128,969	0	0	0	(128,969)	0	(128,969)
Interest on long-term debt	540,781	0	0	0	(540,781)	0	(540,781)
Total Governmental Activities	20,669,638	6,305	7,594,515	0	(13,068,818)	0	(13,068,818)
Business Type Activities:							
Food Service	1,152,082	398,580	683,378	0	0	(70,124)	(70,124)
Other	216,507	143,762	65,072	0	0	(7,673)	(7,673)
Total Business Type Activities	1,368,589	542,342	748,450	0	0	(77,797)	(77,797)
Total Primary Government	<u>\$ 22,038,227</u>	<u>\$ 548,647</u>	<u>\$ 8,342,965</u>	<u>\$ 0</u>	<u>\$ (13,068,818)</u>	<u>\$ (77,797)</u>	<u>\$ (13,146,615)</u>
General Revenues:							
Taxes:							
Property					\$ 3,358,845	\$ 0	\$ 3,358,845
Motor vehicle					477,582	0	477,582
Utilities					789,257	0	789,257
State and formula grants					8,458,782	0	8,458,782
Interest and investment earnings					106,571	3,003	109,574
Gain(loss) on sale of fixed assets					(5,856)	(1,147)	(7,003)
Miscellaneous					331,881	0	331,881
Total General Revenues					<u>13,517,062</u>	<u>1,856</u>	<u>13,518,918</u>
Change in Net Assets					448,244	(75,941)	372,303
Net Assets June 30, 2004					<u>8,137,430</u>	<u>378,020</u>	<u>8,515,450</u>
Net Assets June 30, 2005					<u>\$ 8,585,674</u>	<u>\$ 302,079</u>	<u>\$ 8,887,753</u>

See Auditor's Report and Accompanying Notes

**BOURBON COUNTY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005**

	GENERAL FUND	SPECIAL REVENUE (GRANT) FUNDS	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS:				
Cash and cash equivalents	\$ 2,063,660	\$ 0	\$ 468,649	\$ 2,532,309
Accounts receivable				
Taxes	108,094	0	0	108,094
Accounts	58,966	5,982	0	64,948
Intergovernmental - State	0	3,049	0	3,049
Intergovernmental - Federal	0	533,277	0	533,277
TOTAL ASSETS	\$ 2,230,720	\$ 542,308	\$ 468,649	\$ 3,241,677
LIABILITIES:				
Accounts payable	\$ 222,186	\$ 13,243	\$ 0	\$ 235,429
Bank overdraft	0	229,921	0	229,921
Accrued sick leave	14,747	0	0	14,747
Deferred revenue	0	299,144	0	299,144
TOTAL LIABILITIES	236,933	542,308	0	779,241
FUND BALANCES:				
Reserved for Other Purposes:				
Sick leave	197,795	0	0	197,795
Encumbrances	0	4,714	0	4,714
Debt service	0	0	20,323	20,323
Construction	0	0	448,326	448,326
Unreserved	1,795,992	(4,714)	0	1,791,278
TOTAL FUND BALANCES	1,993,787	0	468,649	2,462,436
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,230,720	\$ 542,308	\$ 468,649	\$ 3,241,677

See Auditor's Report and Accompanying Notes

**BOURBON COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2005**

Total Governmental Fund Balances	\$ 2,462,436
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Amounts reported for governmental activities in the
statement of net assets are different because:

Capital assets are not reported in the fund financial statement because they are not current financial resources, but they are reported in the statement of net assets.	18,332,295
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Certain liabilities (such as bonds payable, the long-term portion of accrued sick leave, and accrued interest) are not reported in the fund financial statement because they are not due and payable, but are presented in the statement of net assets.	<u>(12,209,057)</u>
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Net Assets of Governmental Activities	\$ <u><u>8,585,674</u></u>
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See Auditor's Report and Accompanying Notes

BOURBON COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	GENERAL FUND	SPECIAL REVENUE (GRANT) FUNDS	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:				
From local sources:				
Taxes:				
Property	\$ 3,018,443	\$ 0	\$ 412,445	\$ 3,430,888
Motor vehicle	477,582	0	0	477,582
Utilities	789,257	0	0	789,257
Tuition and fees	12,441	138,861	0	151,302
Earnings on investments	102,737	0	3,834	106,571
Rental	0	110,944	0	110,944
Other local revenues	53,968	90,591	0	144,559
Intergovernmental - State	11,082,965	916,057	541,596	12,540,618
Intergovernmental - Indirect federal	0	2,965,880	0	2,965,880
TOTAL REVENUES	<u>15,537,393</u>	<u>4,222,333</u>	<u>957,875</u>	<u>20,717,601</u>
EXPENDITURES:				
Current:				
Instruction:	9,793,511	3,384,291	0	13,177,802
Support Services:				
Student	390,716	75,042	0	465,758
Instructional staff	420,143	146,927	0	567,070
District administration	626,739	7,319	0	634,058
School administration	1,028,923	148,764	0	1,177,687
Business	239,702	0	0	239,702
Plant operations and maintenance	1,466,826	44,855	0	1,511,681
Student transportation	977,501	177,731	0	1,155,232
Non-Instructional	0	176,877	0	176,877
Facilities acquisition and construction	0		128,969	128,969
Debt Service	91,051	85,725	740,791	917,567
Other	0	8,261	0	8,261
TOTAL EXPENDITURES	<u>15,035,112</u>	<u>4,255,792</u>	<u>869,760</u>	<u>20,160,664</u>
Excess (Deficit) of Revenues over Expenditures	<u>502,281</u>	<u>(33,459)</u>	<u>88,115</u>	<u>556,937</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	0	33,459	105,999	139,458
Operating transfers out	(33,459)	0	(105,999)	(139,458)
TOTAL OTHER FINANCING SOURCES (USES):	<u>(33,459)</u>	<u>33,459</u>	<u>0</u>	<u>0</u>
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	468,822	0	88,115	556,937
Fund balance June 30, 2004	<u>1,539,712</u>	<u>0</u>	<u>380,534</u>	<u>1,920,246</u>
Fund balance June 30, 2005	<u>\$ 2,008,534</u>	<u>\$ 0</u>	<u>\$ 468,649</u>	<u>\$ 2,477,183</u>

See Auditor's Report and Accompanying Notes

**BOURBON COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005**

Net Change in Fund Balances - Total Governmental Funds	\$ 556,937
Amounts reported for governmental activities in the statement of activities are different because:	
Proceeds received from the sale of assets are reported as revenues in the fund financial statements. However, only the net gain or loss is reported in the statement of activities.	(5,856)
Capital outlays are reported as expenditures in the fund financial statement because they are current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which capital outlays exceeds depreciation expense for the year.	(767,903)
Generally, expenditures recognized in the fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.	(205,609)
Bond and lease payments are recognized as expenditures of current financial resources in the fund financial statement, but are reductions of liabilities in the statement of net assets.	<u>870,675</u>
Change in Net Assets of Governmental Activities	\$ <u><u>448,244</u></u>

See Auditor's Report and Accompanying Notes

**BOURBON COUNTY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL AND SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2005**

	GENERAL FUND				SPECIAL REVENUE FUND			
	BUDGETED AMOUNTS		ACTUAL	VARIANCE Favorable (Unfavorable)	BUDGETED AMOUNTS		ACTUAL	VARIANCE Favorable (Unfavorable)
	ORIGINAL	FINAL			ORIGINAL	FINAL		
REVENUES:								
From local sources:								
Taxes:								
Property	\$ 2,750,000	\$ 2,750,000	\$ 3,018,443	\$ 268,443	\$ 0	\$ 0	\$ 0	\$ 0
Motor Vehicle	511,000	511,000	477,582	(33,418)	0	0	0	0
Utilities	620,000	620,000	789,257	169,257	0	0	0	0
Tuition and fees	20,000	20,000	12,441	(7,559)	0	0	138,861	138,861
Earnings on investments	60,000	60,000	102,737	42,737	0	0	0	0
Community service activities	0	0	0	0	0	0	110,944	110,944
Other local revenues	0	0	53,968	53,968	0	85,500	90,591	5,091
Intergovernmental - State	8,175,805	8,373,217	11,082,965	2,709,748	765,311	392,758	916,057	523,299
Intergovernmental - Indirect federal	0	0	0	0	2,190,144	1,462,619	2,965,880	1,503,261
TOTAL REVENUES	12,136,805	12,334,217	15,537,393	3,203,176	2,955,455	1,940,877	4,222,333	2,281,456
EXPENDITURES:								
Current:								
Instruction:	7,533,000	7,782,666	9,793,511	(2,010,845)	2,409,416	1,531,097	3,384,291	(1,853,194)
Support Services:								
Student	377,875	397,549	390,716	6,833	54,136	67,728	75,042	(7,314)
Instructional staff	357,234	373,643	420,143	(46,500)	70,611	23,192	146,927	(123,735)
District administration	1,380,111	769,963	626,739	143,224	43,266	(2,417)	7,319	(9,736)
School administration	916,603	925,981	1,028,923	(102,942)	151,728	151,308	148,764	2,544
Business	115,626	235,755	239,702	(3,947)	0	0	0	0
Plant operations and maintenance	1,261,070	1,320,052	1,466,826	(146,774)	31,608	63,608	44,855	18,753
Student transportation	883,784	911,337	977,501	(66,164)	65,337	129,595	177,731	(48,136)
Non-Instructional	79,418	0	0	0	169,353	0	176,877	(176,877)
Debt Service	93,545	93,545	91,051	2,494	0	0	85,725	(85,725)
Other	0	0	0	0	0	0	8,261	(8,261)
TOTAL EXPENDITURES	12,998,266	12,810,491	15,035,112	(2,224,621)	2,995,455	1,964,111	4,255,792	(2,291,681)
Excess (Deficit) of Revenues over Expenditures	(861,461)	(476,274)	502,281	978,555	(40,000)	(23,234)	(33,459)	(10,225)
OTHER FINANCING SOURCES (USES):								
Operating transfers in	0	0	0	0	40,000	26,487	33,459	6,972
Operating transfers out	(40,000)	(33,800)	0	33,800	0	0	0	0
Contingency	0	(913,240)	(33,459)	879,781	0	0	0	0
TOTAL OTHER FINANCING SOURCES (USES):	(40,000)	(947,040)	(33,459)	913,581	40,000	26,487	33,459	6,972
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	(901,461)	(1,423,314)	468,822	1,892,136	0	3,253	0	(3,253)
Fund balance June 30, 2004	901,461	1,423,314	1,539,712	116,398		0	0	0
Fund balance June 30, 2005	\$ 0	\$ 0	\$ 2,008,534	\$ 2,008,534	\$ 0	\$ 3,253	\$ 0	\$ (3,253)

See Auditor's Report and Accompanying Notes

**BOURBON COUNTY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2005**

	Food Service Fund	Other Proprietary Funds	TOTAL
ASSETS:			
Current Assets			
Cash and cash equivalents	\$ 76,409	\$ 90,438	\$ 166,847
Accounts Receivable	51	3,196	3,247
Inventory	11,669	0	11,669
Total Current Assets	<u>88,129</u>	<u>93,634</u>	<u>181,763</u>
Noncurrent Assets			
Machinery & Equipment	424,439	0	424,439
Accumulated Depreciation	(302,762)	0	(302,762)
Total Noncurrent Assets	<u>121,677</u>	<u>0</u>	<u>121,677</u>
TOTAL ASSETS	<u><u>\$ 209,806</u></u>	<u><u>\$ 93,634</u></u>	<u><u>\$ 303,440</u></u>
LIABILITIES:			
Current Liabilities			
Accounts Payable	\$ 318	\$ 1,083	\$ 1,401
Noncurrent Liabilities	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL LIABILITIES	<u>318</u>	<u>1,083</u>	<u>1,401</u>
NET ASSETS:			
Invested in capital assets, net of related debt	121,677	0	121,677
Unrestricted	<u>87,811</u>	<u>92,551</u>	<u>180,362</u>
TOTAL NET ASSETS	<u>209,488</u>	<u>92,551</u>	<u>302,039</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 209,806</u></u>	<u><u>\$ 93,634</u></u>	<u><u>\$ 303,440</u></u>

See Auditor's Report and Accompanying Notes

BOURBON COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	Food Service Fund	Other Proprietary Funds	TOTAL
OPERATING REVENUES:			
Lunchroom sales	\$ 393,740	\$ 0	\$ 393,740
Federal grants	581,196	0	581,196
Federal commodities	38,090	0	38,090
State grants	64,092	65,072	129,164
Other operating revenues	4,840	143,762	148,602
TOTAL OPERATING REVENUES	<u>1,081,958</u>	<u>208,834</u>	<u>1,290,792</u>
OPERATING EXPENSES:			
Salaries and wages	426,848	160,914	587,762
Employee Benefits	120,974	43,853	
Contract services	31,348	252	31,600
Materials and supplies	525,987	11,387	537,374
Property	13,828	0	13,828
Miscellaneous	4,007	101	4,108
Depreciation	29,130	0	29,130
TOTAL OPERATING EXPENSES	<u>1,152,122</u>	<u>216,507</u>	<u>1,203,802</u>
Operating income (loss)	(70,164)	(7,673)	(77,837)
NON-OPERATING REVENUES (EXPENSES)			
Gain (loss) on sale of assets	(1,147)	0	(1,147)
Interest income	3,003	0	3,003
NON-OPERATING REVENUES (EXPENSES)	<u>1,856</u>	<u>0</u>	<u>1,856</u>
Net income (loss) before operating transfers	(68,308)	(7,673)	(75,981)
Operating transfers	<u>0</u>	<u>0</u>	<u>0</u>
Change in net assets	(68,308)	(7,673)	(75,981)
Total net assets June 30,2004	<u>277,796</u>	<u>100,224</u>	<u>378,020</u>
Total net assets June 30,2005	<u>\$ 209,488</u>	<u>\$ 92,551</u>	<u>\$ 302,039</u>

See Auditor's Report and Accompanying Notes

**BOURBON COUNTY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005**

	Food Service Fund	Other Proprietary Funds	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 398,529	\$ 142,772	\$ 541,301
Cash received from federal & state govt.	657,745	65,072	722,817
Cash paid to suppliers	(509,732)	(10,957)	(520,689)
Cash paid to employees	(567,984)	(204,767)	(772,751)
Net Cash Provided (Used) by Operating Activities	<u>(21,442)</u>	<u>(7,880)</u>	<u>(29,322)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	<u>0</u>	<u>0</u>	<u>0</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	<u>0</u>	<u>0</u>	<u>0</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	<u>3,003</u>	<u>0</u>	<u>3,003</u>
Net Cash Provided (Used) by Investing Activities	<u>3,003</u>	<u>0</u>	<u>3,003</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(18,439)	(7,880)	(26,319)
Cash and cash equivalents June 30, 2004	<u>94,848</u>	<u>98,318</u>	<u>193,166</u>
Cash and cash equivalents June 30, 2005	<u><u>\$ 76,409</u></u>	<u><u>\$ 90,438</u></u>	<u><u>\$ 166,847</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (70,164)	\$ (7,673)	\$ (77,837)
Adjustments to Reconcile Net Income to Net Cash from Operating Activities:			
Depreciation	29,130	0	29,130
Changes in Assets and Liabilities:			
Accounts Receivable	12,406	(990)	11,416
Inventories	9,571	0	9,571
Accounts payable	(2,385)	783	(1,602)
Net Cash Provided (Used) by Operating Activities	<u><u>\$ (21,442)</u></u>	<u><u>\$ (7,880)</u></u>	<u><u>\$ (29,322)</u></u>
Schedule of non-cash transactions:			
Donated commodities received from federal government	<u><u>\$ 38,090</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 38,090</u></u>

See Auditor's Report and Accompanying Notes

**BOURBON COUNTY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2005**

	<u>AGENCY FUNDS</u>
ASSETS:	
Cash and cash equivalents	\$ 211,035
Accounts receivable	<u>13,270</u>
 TOTAL ASSETS	 \$ <u>224,305</u>
 LIABILITIES:	
Accounts payable	\$ 28,138
Due to student groups	<u>196,167</u>
 TOTAL LIABILITIES	 \$ <u>224,305</u>

See Auditor's Report and Accompanying Notes

**BOURBON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2005**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND
DESCRIPTION OF FUNDS**

Reporting Entity

The Bourbon County Board of Education ("Board"), a five-member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Bourbon County School District ("District"). The District receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined in Section 2100, *Codification of Governmental Accounting and Financial Reporting Standards*, as Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations and primary accountability for fiscal matters.

The District, for financial purposes, includes all the funds and account groups relevant to the operation of the Bourbon County Board of Education. The financial statements presented herein do not include funds of groups and organizations, which, although associated with the school system, have not originated within the Board itself, such as Boosters Club, Parent-Teacher Associations, etc.

The financial statements of the District include those of separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements:

Bourbon County School District Finance Corporation - The Bourbon County Board of Education resolved to authorize the establishment of the Bourbon County School District Finance Corporation (a non-stock, non-profit corporation organized under the School Bond Act and KRS 273 and KRS 58.180) as an agency of the District for financing the costs of school building improvements. The Board members of the Bourbon County Board of Education also comprise the Corporation's Board of Directors.

**BOURBON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2005**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF FUNDS (contd.)

Basis of Presentation

Government-wide Financial Statements - The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activity of the reporting entity, except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements - Fund financial statements report detailed information about the District's funds, including fiduciary funds. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and reporting treatment applied to a fund is determinable by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are the balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the changes in the fund balances. Proprietary funds and

**BOURBON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2005**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF FUNDS (contd.)

fiduciary funds are reported using the economic resources measurement focus. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

The District has the following funds:

I. Governmental Fund Types

(A) The **General Fund** is the primary operating fund of the Board. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. Most receipts of the Board (other than school activity funds, lunchroom sales, and bond proceeds) are deposited into the General Fund initially. Any monies received that are designated for another fund are transferred from the General Fund to the designated fund. This is a major fund of the District.

(B) The **Special Revenue Fund** accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Federal Financial Assistance included in this report. In addition, the Kentucky Education Technology System (KETS) allocation and the District's matching funds are being reported in the Special Revenue fund as required by the Kentucky Department of Education. These funds are restricted for the purpose of technology consistent with the District's approved technology plan. The Special Revenue Fund is a major fund.

(C) **Capital Project Funds** are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds). The following are Capital Project Funds:

- 1) The Support Education Excellence in Kentucky (SEEK) Fund receives those funds designated by the state as Capital Outlay Funds (unless authorized for retention in the General Fund) and is generally restricted for use in financing capital acquisitions.

**BOURBON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2005**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND
DESCRIPTION OF FUNDS (contd.)**

- 2) The FSPK Fund accounts for funds collected for property taxes, a percentage of which are transferred from the General Fund for debt service.
 - 3) The Construction Fund includes Capital Project Fund Accounts for proceeds from sales of bonds and other revenues to be used for authorized construction.
- (D) The **Debt Service Fund** is a fund used to account for the accumulation of resources for, and the payment of, bonded debt and lease obligations, interest and related costs.

II. Proprietary Fund Types (Enterprise Fund)

- (A) The **Food Service Fund** accounts for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture ("USDA"). Amounts have been recorded for in-kind contributions of commodities from the USDA. The Food Service Fund is a major fund.
- (B) The **Day Care Fund** is used to account for child care revenue.

The District applies all GASB pronouncements to proprietary funds as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

III. Fiduciary Fund Type (Agency)

The **Agency Fund** accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the *Uniform Program of Accounting for School Activity Funds*.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

**BOURBON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2005**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF FUNDS (contd.)

In the Government-wide Statement of Net Assets and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

The proprietary fund utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

Revenues from local sources consist primarily of property taxes. Property taxes collected are recorded as revenues in the fund for which they were levied. Revenue is recognized when susceptible to accrual. Miscellaneous revenues are recorded on the same basis, if measurable. Investment earnings are recorded as earned since they are measurable and available.

Grant funds which are recorded in the special revenue fund as restricted funds are considered to be earned to the extent of expenditures made under the provisions of the grant and, accordingly, when such funds are received they are recorded as deferred revenues until earned.

**BOURBON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2005**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF FUNDS (contd.)

Property Taxes

Property Tax Revenues - Property taxes are levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are initially deposited into the General Fund and then transferred to the appropriate fund.

The property tax rates assessed to finance the General Fund operations for the year ended June 30, 2005, were \$.463 per \$100 valuation for real property, \$.463 per \$100 valuation for business personal property and \$.547 per \$100 valuation for motor vehicles.

The District levies a utility gross receipts license tax in the amount of 3% of the gross receipts derived from the furnishings, within the district, of telephone and telegraph communications services, cablevisions services, electric power, water, and natural, artificial and mixed gas.

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The Board maintains a capitalization threshold of one thousand dollars with the exception of computers, digital cameras and real property for which there is no threshold. Improvements are capitalized; the cost of, normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are expensed.

**BOURBON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2005**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF FUNDS (contd.)

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
Audio-visual equipment	15 years
Food service equipment	10-12 years
Furniture and fixtures	7 years
Other	10 years

Interfund Balances

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Permanent reallocations of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Accumulated Unpaid Sick Leave Benefits

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of the accumulated sick leave.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District's past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements. For governmental fund financial statements the current portion of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the amount "accumulated sick leave payable" in the general fund. The non-current portion of the liability is not reported.

**BOURBON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2005**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF FUNDS (contd.)

Budgetary Process

The Board is required by state law to adopt annual budgets for the general fund, special revenue fund, debt service and capital projects funds. Each budget is presented on the modified accrual basis of accounting which is a basis other than Generally Accepted Accounting Principles (GAAP). The major difference between the budgetary basis and the GAAP basis is revenues and expenses are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Per Board policy; only amendments that aggregate greater than \$50,000 require Board approval. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end in accordance with state law.

Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All budget appropriations lapse at year end.

Cash and Cash Equivalents

The District considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less, to be cash equivalents.

Inventory

Inventories consist of food purchased by the Board and commodities granted by the United States Department of Agriculture (USDA). The commodities are recognized as revenues and expenditures by the Food Service Fund when consumed. Any material commodities on hand at year end are recorded as inventory. All purchased inventory items are valued at cost (first-in, first-out) using the consumption method and commodities are assigned values based on information provided by the USDA.

Prepaid Assets

Payments made that will benefit periods beyond the end of the fiscal year are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

**BOURBON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2005**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND
DESCRIPTION OF FUNDS (contd.)**

Bond issue costs

Costs associated with the issuance of bond obligations, including fiscal and rating agency fees, paying agent fees, and attorney fees, are reported as expenditures in the governmental funds financial statements. These costs are capitalized and amortized over the lives of the respective bonds on the government-wide financial statements.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the non-current portion of capital leases, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Encumbrance Accounting

Encumbrances are not liabilities, and therefore are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are reappropriated in the next fiscal year.

Fund Balance Reserves

Portions of fund equity are segregated for future use and are therefore not available for future appropriation or expenditure for general use. Amounts reserved for encumbrances, compensated absences, debt service and construction commitments represent portions of fund equity required to be segregated in accordance with state law or generally accepted accounting principles. Designations of unreserved fund balances in governmental funds indicate the utilization of these resources in the ensuing year's budget or tentative plans for future use.

**BOURBON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2005**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND
DESCRIPTION OF FUNDS (contd.)**

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as necessary.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, those revenues are primarily charges for meals provided by various schools.

Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of fixed assets, or from grants or outside contributions of resources restricted to capital acquisition and construction

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America required the District's management to make estimates and assumptions that affect reported amounts of assets, liabilities, fund balances, and disclosure of contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**BOURBON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2005**

NOTE 2 - CASH AND CASH EQUIVALENTS

At year end, the carrying amount of the District's cash and cash equivalents was \$2,679,270. Of the total cash balance, \$100,000 was covered by Federal Depository insurance, with the remainder covered by collateral held by the pledging banks' trust departments in the District's name.

The carrying amounts are reflected in the financial statements as follows:

Governmental funds	\$2,302,388
Proprietary funds	166,847
Agency funds	<u>210,035</u>
	<u><u>\$2,679,270</u></u>

NOTE 3- CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2005 was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Governmental Activities:				
Land	\$ 70,910	\$ 0	\$ 0	\$ 70,910
Land Improvements	1,351,131	0	0	1,351,131
Buildings Improvements	22,666,146	0	0	22,666,146
Technology Equipment	1,513,228	34,899	(239,679)	1,308,448
Vehicles	2,421,058	0	(115,218)	2,305,840
General Equipment	<u>443,494</u>	<u>0</u>	<u>0</u>	<u>443,494</u>
Total Historical Cost	28,465,967	34,899	(354,897)	28,145,969
Accumulated Depreciation	<u>(9,359,413)</u>	<u>(803,302)</u>	<u>349,041</u>	<u>(9,813,674)</u>
Capital Assets - Net	<u><u>\$ 19,106,554</u></u>	<u><u>\$ (768,403)</u></u>	<u><u>\$ (5,856)</u></u>	<u><u>\$ 18,332,295</u></u>
Business Activities:				
Technology Equipment	\$ 32,620	\$ 0	\$ 0	\$ 32,620
General Equipment	<u>407,513</u>	<u>0</u>	<u>(15,694)</u>	<u>391,819</u>
Total Historical Cost	440,133	0	(15,694)	424,439
Accumulated Depreciation	<u>(288,179)</u>	<u>(29,130)</u>	<u>14,547</u>	<u>(302,762)</u>
Capital Assets - Net	<u><u>\$ 151,954</u></u>	<u><u>\$ (29,130)</u></u>	<u><u>\$ (1,147)</u></u>	<u><u>\$ 121,677</u></u>

**BOURBON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2005**

NOTE 3- CAPITAL ASSETS (contd.)

Depreciation expense was charged to functions of the governmental activities of the District as follows:

Governmental Activities:

Instruction	\$ 635,997
Support Services:	
Student	1,425
Instructional staff	571
District administration	8,290
School administration	1,347
Business	994
Plant operations & maintenance	13,679
Student transportation	140,575
Non-instructional	424
Total depreciation expense, governmental activities	<u>\$ 803,302</u>

The district's construction commitments for renovation and additions to the Millersburg Elementary School totaled \$3,785,450 at June 30, 2005.

NOTE 4 - BONDED DEBT AND LEASE OBLIGATIONS

Bonds

The District, through the General Fund, the Construction Fund, the Building Fund, and the SEEK Capital Outlay Fund are obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Bourbon County Fiscal Court to construct school facilities. The District has the option to purchase the property under lease at any time by retiring the bonds then outstanding.

In connection with the school revenue bonds issued after May 1, 1996 the District entered into "Participation agreements" with the School Facility Construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The table below sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues. The liability for the total bond amount remains with the District and, as such, the total principal outstanding has been recorded in the financial statements.

**BOURBON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2005**

NOTE 4 - BONDED DEBT AND LEASE OBLIGATIONS (contd.)

The original amount of each issue, the issue date, interest rates and outstanding balances are summarized below:

<u>Issue Date</u>	<u>Proceeds</u>	<u>Rates</u>	<u>Outstanding Balance June 30, 2005</u>
1994	\$ 780,000	5.30-5.65%	\$ 210,000
1998A	3,625,000	4.00-4.10%	1,985,000
1998B	435,000	4.00-4.75%	325,000
2000	3,440,000	4.30-5.50%	3,175,000
2001	1,675,000	3.20-4.90%	1,525,000
2002	1,865,000	3.20-4.90%	1,845,000
2002B	2,495,000	1.35-3.75%	2,370,000
	<u>\$ 14,315,000</u>		<u>\$ 11,435,000</u>

The following is a summary of the District's long-term debt transactions for the year ended June 30, 2005:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Payments</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
General Obligation Bonds	\$12,220,000	\$0	\$785,000	\$11,435,000	\$765,000
Capital Leases	436,913	\$0	85,675	351,238	49,108

In July of 2005, the Bourbon County Board of Education approved a resolution authorizing the Bourbon County School District Finance Corporation to sell bonds for the refunding of the 2000 bond issue.

The District's bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2005 for debt service (principal and interest) are as follows:

**BOURBON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2005**

NOTE 4 - BONDED DEBT AND LEASE OBLIGATIONS (contd.)

	Bourbon County School District		Kentucky School Construction Commission		
YEAR	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	TOTAL
2006	391,896	388,042	323,104	121,474	1,224,516
2007	467,743	367,451	337,257	107,321	1,279,772
2008	478,127	351,372	261,873	95,113	1,186,485
2009	497,554	334,083	257,446	84,068	1,173,151
2010	515,122	285,764	259,878	73,209	1,133,973
2011	536,784	267,431	183,216	63,782	1,051,213
2012	413,279	281,875	131,721	56,801	883,676
2013	423,478	265,929	131,522	50,619	871,548
2014	441,897	249,372	138,103	44,291	873,663
2015	476,670	224,495	108,330	37,582	847,077
2016	496,094	201,050	113,906	31,862	842,912
2017	525,022	175,545	119,978	25,791	846,336
2018	548,627	148,316	126,373	19,395	842,711
2019	577,859	119,468	112,141	12,604	822,072
2020	607,981	89,177	117,019	6,436	820,613
2021	640,000	67,759	0	0	707,759
2022	675,000	36,609	0	0	711,609
2023	0	3,798	0	0	3,798
	<u>\$ 8,713,133</u>	<u>\$3,857,536</u>	<u>\$ 2,721,867</u>	<u>\$ 830,348</u>	<u>\$16,122,884</u>

**BOURBON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2005**

NOTE 4 - BONDED DEBT AND LEASE OBLIGATIONS (contd.)

Capital Leases

The Board has entered into lease agreements as lessee for financing the acquisition of buses. These leases qualify as capital leases for accounting purposes and therefore, have been reported at the present value of their future minimum lease payments as of the inception date. The leased buses total \$2,182,882 with accumulated depreciation of \$660,095 and a net book value of \$1,522,787 as of June 30, 2005. Following is a schedule by years of the future minimum lease payments under capital lease together with the present value of the minimum lease payments as of June 30, 2005:

<u>Year Ending June 30,</u>	<u>Capital lease payable</u>
2006	\$ 62,409
2007	62,180
2008	63,174
2009	61,899
2010	58,413
2011	51,048
2012	29,629
2013	<u>17,222</u>
Total minimum lease payments	405,974
Less: Amount of interest	<u>(54,736)</u>
Present value of net minimum Lease payments	<u>\$ 351,238</u>

Non-capital Leases

Commitments under operating lease agreements for office equipment provide for the minimum future rental payments as of June 30, 2005 as follows:

Year ending June 30:	
2006	65,164
2007	17,484

Rent expense for the year ended June 30, 2005 was \$64,127.

**BOURBON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2005**

NOTE 5 – RETIREMENT PLANS

Plan Descriptions

The District contributes to the Kentucky Teachers' Retirement System (KTRS), a cost sharing, multiple-employer, defined benefit pension plan, for the District's certified employees. KTRS administers retirement and disability annuities and death and survivor benefits to employees and beneficiaries of employees of the public school systems and other public educational agencies in Kentucky.

KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). KTRS issues a publicly available financial report that includes the financial statements and required supplementary information for the defined benefit plan. That report can be obtained by writing to Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, KY 40601.

Substantially all other employees (classified personnel) are covered under the County Employee's Retirement System (CERS), a cost sharing, multiple-employer, public employers retirement system.

Funding Policies

Contribution rates for KTRS are established by KRS. Members are required to contribute 9.855% of their salaries to KTRS. The Commonwealth of Kentucky is required to contribute 13.105% of members' salaries. The federal program that pays for salaries also pays the matching contributions. KTRS requires that members occupy a position requiring either a four (4) year college degree or certification by KY Department of Education (KDE).

Funding for CERS is provided through payroll withholdings of 5% and a Board contribution of 8.48% of the employee's total compensation subject to contribution.

The Board's total payroll for the year was \$13,143,831. The payroll for employees covered under KTRS was \$9,737,168 and for CERS \$ 3,406,663.

The contribution requirement for KTRS for the ended June 30, 2005 was \$959,843 contributed by the Commonwealth of Kentucky. The District's contributions to KTRS for the year ending June 30 2005 were \$156,431, which represents those employees covered by federal programs.

The contribution requirement for CERS for the year ended June 30, 2005 was \$459,219, which consisted of \$288,886 from the Board and \$170,333 from the employee.

**BOURBON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2005**

NOTE 5 - RETIREMENT PLANS (contd.)

Benefits under both plans will vary based on final compensation, years of service, and other factors as fully described in the plan documents.

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits which is adjusted for the effects of projected salary increases step-rate benefits that are estimated to be payable in the future as a result of employee service to-date. The measure, which is the actuarial present value of credited, projected benefits, is intended to help users assess the pensions' funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among the plans and employers.

KTRS and CERS do not make separate measurements of assets and pension benefit obligation for individual employers. The following table presents certain information regarding the plans' status as a whole, derived from actuarial valuations performed as of the dates indicated:

	KTRS June 30, 2004	CERS June 30, 2004
Net assets available for benefits	\$ 14,255,100,000	\$ 6,397,726,506
Pension benefit obligation	17,617,600,000	7,453,191,207
Over(under)funded pension benefit	<u>\$ (3,362,500,000)</u>	<u>\$ (1,055,464,701)</u>

Ten-year historical trend information, showing KTRS and CERS progress in accumulating sufficient assets to pay benefits when due, is presented in the June 30, 2004 comprehensive annual financial reports.

As the District is only one of several employers participating in the plan, it is not practical to determine the Board's portion of the unfunded past service cost or the vested benefits of the District's portion of the plan assets.

The District also offers employees the option to participate in a defined contribution plan under Section 403(B), 401(K) and 457 of the Internal Revenue Code. All regular full-time and part-time employees are eligible to participate and may contribute up to the maximum amount allowable by law. The District does not contribute to these plans.

**BOURBON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2005**

NOTE 6- CONTINGENCIES

Funding for the Board's Grant Funds is provided by federal, state and local government agencies. These funds are to be used for designated purposes only. If, based upon the grantor's review, the funds are considered not to have been used for the intended purpose, the grantor may request a refund of monies advanced, or refuse to reimburse the Board for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the Board's grant programs is predicated upon the grantor's satisfaction that the funds provided are being spent as intended and the grantor's intent to continue their programs.

NOTE 7 - INSURANCE AND RELATED ACTIVITIES

The district is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas are covered through the purchase of commercial insurance. The district has purchased certain retrospectively rated policies, which include worker's compensation insurance.

NOTE 8- RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for worker's compensation, errors and omissions, and general liability coverage, the District participates in the Kentucky School Boards Insurance Trust Liability Insurance Fund. These public entity risk pools operate as common risk management and insurance programs for all school districts and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The District pays an annual Premium to each fund for coverage. Contributions to the Workers' Compensation Fund are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount. Dividends may be declared, but are not payable until twenty-four months after the expiration of the self-insurance term. The liability insurance fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage and for any reason, by giving ninety days notice. In the event the Trust terminated coverage, any amount remaining in the Fund would be returned to the member on a pro rata basis.

The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; risk has not been transferred to

**BOURBON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2005**

NOTE 8- RISK MANAGEMENT (contd.)

such fund. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past several fiscal years.

NOTE 13 - DEFICIT OPERATING/ FUND BALANCES

There were no funds operating at a deficit fund balance at June 30, 2005. However, several funds had operations that resulted in a current year deficit of revenues over expenditures resulting in the following reductions of fund balance:

Construction Fund	\$ 102,719
Food Service	68,268
Day Care	10,453

NOTE 9- COBRA

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the school district at risk for a substantial loss (contingency).

NOTE 10 - TRANSFER OF FUNDS

The following transfers were made during the year:

<u>Type</u>	<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Matching	General	Special Revenue	Tech. Match	\$ 33,459
Operating	Building	Construction	Construction	26,250
Operating	Capital Outlay	Construction	Construction	79,749

NOTE 11 - ON-BEHALF PAYMENTS

For the year ended June 30, 2005, total payments of \$2,694,687 (\$1,123,718 represents KTRS match) were made for life insurance, health insurance, KTRS matching, Vocal Ed fees and administrative fees by the Commonwealth of Kentucky on behalf of the District. These payments were recognized as on-behalf payments and recorded in the appropriate revenue and expense accounts on the statement of activities.

**BOURBON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2005**

NOTE 12- LITIGATION

The District is subject to several legal actions in various stages of litigation, the outcome of which is not determinable at this time. Management of the District and its legal counsel do not anticipate that there will be any material effect on the combined financial statements as a result of the cases presently in progress except for the one case in which the District has recorded a liability on the general ledger in the amount of \$128,795. This case is still pending.

BOURBON COUNTY SCHOOL DISTRICT
SUPPLEMENTAL SCHEDULES

**BOURBON COUNTY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2005**

	SEEK CAPITAL OUTLAY	BUILDING FUND	CONSTRUCTION FUND	DEBT SERVICE FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
ASSETS:					
Cash and cash equivalents	\$ 20,323	\$ 241,734	\$ 206,592	\$ 0	\$ 468,649
Accounts receivable					
Taxes - current	0	0	0	0	0
Taxes - delinquent	0	0	0	0	0
Accounts	0	0	0	0	0
Intergovernmental - State	0	0	0	0	0
Intergovernmental - Federal	0	0	0	0	0
Other Assets	0	0	0	0	0
TOTAL ASSETS	\$ 20,323	\$ 241,734	\$ 206,592	\$ 0	\$ 468,649
LIABILITIES:					
Bank overdraft	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Accounts payable	0	0	0	0	0
Accrued payroll					
and related expenses	0	0	0	0	0
Deferred revenues	0	0	0	0	0
Obligation under capital leases	0	0	0	0	0
TOTAL LIABILITIES	0	0	0	0	0
FUND BALANCES:					
Reserved	20,323	241,734	206,592	0	468,649
Unreserved	0	0	0	0	0
TOTAL FUND BALANCES	20,323	241,734	206,592	0	468,649
TOTAL LIABILITIES AND FUND BALANCES	\$ 20,323	\$ 241,734	\$ 206,592	\$ 0	\$ 468,649

**BOURBON COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005**

	SEEK CAPITAL OUTLAY	BUILDING FUND	CONSTRUCTION FUND	DEBT SERVICE FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
REVENUES:					
From local sources:					
Taxes:					
Property	\$ 0	\$ 412,445	\$ 0	\$ 0	\$ 412,445
Motor vehicle	0	0	0	0	0
Utilities	0	0	0	0	0
Tuition and fees	0	0	0	0	0
Earnings on investments	0	3,834	0	0	3,834
Student activities	0	0	0	0	0
Community service activities	0	0	0	0	0
Other local revenues	0	0	0	0	0
Intergovernmental - State	242,450	299,146	0	480,839	541,596
Intergovernmental - Indirect federal	0	0	0	0	0
TOTAL REVENUES	<u>242,450</u>	<u>715,425</u>	<u>0</u>	<u>480,839</u>	<u>957,875</u>
EXPENDITURES:					
Current:					
Instruction:	0	0	0	0	0
Support Services:					
Student	0	0	0	0	0
Instructional staff	0	0	0	0	0
District administration	0	0	0	0	0
School administration	0	0	0	0	0
Business	0	0	0	0	0
Plant operations and maintenance	0	0	0	0	0
Student transportation	0	0	0	0	0
Central office	0	0	0	0	0
Non-instructional	0	0	0	0	0
Facilities acquisition and construction	0	0	128,969	0	128,969
Debt service	173,638	567,153	0	480,839	740,791
Other	0	0	0	0	0
TOTAL EXPENDITURES	<u>173,638</u>	<u>567,153</u>	<u>128,969</u>	<u>480,839</u>	<u>869,760</u>
Excess (Deficit) of Revenues over Expenditures	<u>68,812</u>	<u>148,272</u>	<u>(128,969)</u>	<u>0</u>	<u>88,115</u>
OTHER FINANCING SOURCES (USES):					
Proceeds from sale of Assets/Bonds	0	0	0	0	0
Operating transfers in	0	0	105,999	0	105,999
Operating transfers out	(79,749)	(26,250)	0	0	(105,999)
TOTAL OTHER FINANCING SOURCES (USES):	<u>(79,749)</u>	<u>(26,250)</u>	<u>105,999</u>	<u>0</u>	<u>0</u>
Excess (Deficit) of revenues and Other financing sources over expenditures and other financing uses	(10,937)	122,022	(22,970)	0	88,115
Fund balance June 30, 2004	<u>31,260</u>	<u>119,712</u>	<u>229,562</u>	<u>0</u>	<u>380,534</u>
Fund balance June 30, 2005	\$ <u>20,323</u>	\$ <u>241,734</u>	\$ <u>206,592</u>	\$ <u>0</u>	\$ <u>468,649</u>

BOURBON COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS
AND FUND BALANCES
SCHOOL ACTIVITY FUNDS
Year Ended June 30, 2005

	Cash Balances June 30, 2004	Receipts	Disbursements	Cash Balances June 30, 2005	Fund Balances June 30, 2004	Accounts Receivable June 30, 2005	Accounts Payable June 30, 2005	Net Effect of Change in Accounting Principle	Fund Balances June 30, 2005
Bourbon Co. High School	\$ 85,822	\$ 583,437	\$ 558,380	\$ 110,879	\$ 83,929	\$ 0	\$ 22,712	\$ 1,893	\$ 88,167
Bourbon Co. Middle	24,024	201,284	185,993	39,315	23,967	0	4,670	57	34,645
Cane Ridge Elementary	10,638	80,168	75,943	14,863	8,490	0	240	2,148	14,623
North Middletown Elementary	7,783	25,274	23,790	9,267	7,783	0	516	0	8,751
Millersburg Elementary	4,110	21,003	20,037	5,076	4,109	4,110	0	1	9,186
Bourbon Central Elementary	9,160	109,959	87,484	31,635	9,160	9,160	0	0	40,795
	<u>\$ 141,536</u>	<u>\$ 1,021,125</u>	<u>\$ 951,627</u>	<u>\$ 211,035</u>	<u>\$ 137,438</u>	<u>\$ 13,270</u>	<u>\$ 28,138</u>	<u>\$ 4,099</u>	<u>\$ 196,167</u>

BOURBON COUNTY SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES
BOURBON COUNTY COUNTY HIGH SCHOOL ACTIVITY FUND
FOR THE YEAR ENDED JUNE 30, 2005

ACCOUNTS:	Cash Balances June 30, 2004	Receipts	Disbursements	Cash Balances June 30, 2005	Fund Balances June 30, 2004	Accounts Receivable June 30, 2005	Accounts Payable June 30, 2005	Net Effect of Change in Accounting Principle	Fund Balances June 30, 2005
Advanced Placement	\$ 137	\$ 1,962	\$ 1,729	\$ 370	\$ 137	\$ 0	\$ 0	\$ 0	\$ 370
Academic Team	0	198	198	0	0	0	0	0	0
Art Club	1,600	2,669	2,802	1,467	1,600	0	968	0	499
Baseball	12,879	12,441	15,465	9,855	12,679	0	80	200	9,775
Boys Basketball	1,085	29,310	30,235	160	1,085	0	396	0	(236)
Girls Basketball	468	19,512	19,835	145	468	0	299	0	(154)
Cheerleading	744	27,971	24,398	4,317	744	0	4,317	0	0
Athletic Promotion	0	7,506	7,506	0	0	0	0	0	0
Athletic Concessions	0	3,878	3,878	0	0	0	0	0	0
Football	0	23,377	23,377	0	0	0	0	0	0
Track	0	1,245	1,245	0	0	0	345	0	(345)
Golf	1,330	2,795	2,903	1,222	1,330	0	0	0	1,222
Boys Soccer	0	16,512	16,121	391	0	0	0	0	391
Boys Tennis	0	1,294	1,274	20	0	0	0	0	20
Girls Softball	1,818	18,070	19,108	780	1,818	0	310	0	470
Softdrink Account	0	12,244	12,244	0	0	0	0	0	0
Girls Soccer	36	14,028	11,289	2,775	36	0	0	0	2,775
District	0	4,778	4,778	0	0	0	0	0	0
Regional	0	2,625	2,625	0	0	0	0	0	0
Cross Country	0	994	994	0	0	0	0	0	0
Parking	0	945	945	0	0	0	0	0	0
Sciende Honorary	103	0	20	83	103	0	0	0	83
Fees	0	31,898	31,858	40	0	0	40	0	0
Dance	0	30,138	29,808	330	0	0	800	0	(470)
SADD	608	105	82	631	608	0	0	0	631
Beta	393	1,656	1,479	570	393	0	0	0	570
Office	0	16,681	15,872	809	(755)	0	0	755	809
WBBA	148	100	40	208	148	0	0	0	208
Small Engines	432	40	0	472	432	0	0	0	472
Foods	289	894	192	991	289	0	0	0	991
Volleyball	626	6,868	7,226	268	626	0	0	0	268
Drama Club	0	5,415	5,177	238	0	0	238	0	0
English	93	18	0	111	93	0	0	0	111
FBLA	349	40	146	243	349	0	0	0	243
FFA	8,296	33,073	32,943	8,426	7,630	0	2,782	666	5,644
FFA Seed Corn	92	0	0	92	92	0	0	0	92
FFA Book Project	3,266	0	3,004	262	3,266	0	0	0	262
FFA Tractor	62	1,784	1,704	142	62	0	0	0	142
FFA Investment	2,000	0	0	2,000	2,000	0	0	0	2,000
FCCLA/FHA	2,210	9,628	9,246	2,592	2,210	0	0	0	2,592
French Club	78	0	0	78	78	0	0	0	78
Homecoming	0	1,096	1,096	0	0	0	0	0	0
Horticulture	6,338	10,119	7,678	8,779	6,338	0	0	0	8,779
Outdoor Adventures	757	0	0	757	757	0	0	0	757
Journalism	0	2,623	2,093	530	0	0	275	0	255
Library	1,224	1,380	545	2,059	1,224	0	124	0	1,935
Renaissance	635	0	635	0	635	0	0	0	0
National Honor Society	282	760	803	239	282	0	0	0	239
Office Interest	842	11,388	11,499	731	622	0	100	220	631
PSAT	0	495	495	0	0	0	0	0	0
PE	0	1,052	1,052	0	0	0	0	0	0
Prom	744	14,210	14,954	0	744	0	0	0	0
School Play	6,492	7,795	5,581	8,706	6,462	0	0	30	8,706
School Pictures	0	3,668	3,668	0	0	0	0	0	0
Senior Pictures	0	23	23	0	0	0	0	0	0
Humanities	1,041	3,228	1,877	2,392	1,041	0	2,000	0	392
SHH/Spanish Club	5	1,150	886	269	5	0	0	0	269
STL	76	0	0	76	76	0	0	0	76
Senior Needs/Games	92	289	0	381	92	0	227	0	154
SUBTOTALS	\$ 57,670	\$ 401,968	\$ 394,631	\$ 65,007	\$ 55,799	\$ 0	\$ 13,301	\$ 1,871	\$ 51,706

**BOURBON COUNTY SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES
BOURBON COUNTY COUNTY HIGH SCHOOL ACTIVITY FUND
FOR THE YEAR ENDED JUNE 30, 2005**

ACCOUNTS:	Cash Balances June 30, 2004	Receipts	Disbursements	Cash Balances June 30, 2005	Fund Balances June 30, 2004	Accounts Receivable June 30, 2005	Accounts Payable June 30, 2005	Net Effect of Change in Accounting Principle	Fund Balances June 30, 2005
SUBTOTALS	\$ 57,670	\$ 401,968	\$ 394,631	\$ 65,007	\$ 55,799	\$ 0	\$ 13,301	\$ 1,871	\$ 51,706
Student Government	0	0	0	0	0	0	0	0	0
Exploration	0	0	0	0	0	0	0	0	0
Vo Ag Softdrink	428	900	1,328	0	428	0	0	0	0
Vo Ag Mechanics	610	5,348	4,917	1,041	610	0	1,000	0	41
Yearbook	0	0	0	0	0	0	0	0	0
Library Student	1,628	138	0	1,766	1,628	0	0	0	1,766
TMH Fund	15	88	49	54	15	0	0	0	54
Speech team	0	737	737	0	0	0	0	0	0
Athletic Training	0	1,711	1,711	0	0	0	0	0	0
Drug Testing	0	2,950	1,690	1,260	0	0	0	0	1,260
Anatomy	58	178	78	158	58	0	0	0	158
Science Classes	0	52	52	0	0	0	0	0	0
KYA Club	8	11,393	11,379	22	8	0	0	0	22
Soc Studies Trips	0	0	0	0	0	0	0	0	0
Special Ed Class Trips	0	134	134	0	0	0	0	0	0
Fashion Design	219	205	21	403	219	0	0	0	403
Floral Design	119	855	914	60	119	0	0	0	60
Chris Profit Memorial	68	0	0	68	68	0	0	0	68
Faculty Club Social	371	584	783	172	371	0	50	0	122
Reading Component	266	0	0	266	266	0	0	0	266
Pep Club	125	35	15	145	125	0	0	0	145
Yearbook Account	3,042	24,233	21,372	5,903	3,042	0	0	0	5,903
PTSA	0	0	0	0	0	0	0	0	0
Weightlifting	0	0	0	0	0	0	0	0	0
FCA	491	1,032	100	1,423	491	0	0	0	1,423
Wrestling	0	18,050	16,127	1,923	0	0	0	0	1,923
Smoke & Pay	0	85	0	85	0	0	0	0	85
Future Educators Assoc	150	0	0	150	150	0	0	0	150
Math Batteries	108	3,722	1,830	2,000	108	0	27	0	1,973
Spray Painting	25	15	0	40	25	0	0	0	40
KJHS	459	0	96	363	459	0	0	0	363
Swimming	0	2,393	2,393	0	0	0	0	0	0
Assessment Committee	300	0	0	300	300	0	0	0	300
Science & Environment	38	668	632	74	38	0	0	0	74
Pennies for Patients	5	818	818	5	5	0	0	0	5
CATS - Student Rewards	91	15	0	106	91	0	0	0	106
RSVP	0	0	0	0	0	0	0	0	0
DECA	0	1,473	1,430	43	0	0	0	0	43
Humanities Trips	0	21,134	20,924	210	0	0	0	0	210
Class of 2007	0	3,083	2,136	947	0	0	0	0	947
Chorus	0	790	533	257	0	0	0	0	257
Colonel Staples	0	880	279	601	0	0	0	0	601
Class of 2006	0	8,748	2,520	6,228	0	0	0	0	6,228
Baseball Fundraiser	0	8,413	1,640	6,773	0	0	0	0	6,773
KY Bank Shootout	0	29,489	29,489	0	0	0	0	0	0
Athletic Physicals	2,012	0	2,012	0	2,012	0	0	0	0
Girls Tennis	0	798	798	0	0	0	0	0	0
Girls Softball	0	1,153	1,153	0	0	0	0	0	0
Girls Soccer Fundraiser	0	12,848	12,735	113	0	0	0	0	113
Textbooks	13,744	10,894	15,434	9,204	13,722	0	7,904	22	1,300
Educational Materials	3,050	0	0	3,050	3,050	0	0	0	3,050
Elmore Scholarship CD	592	8	500	100	592	0	0	0	100
Elmore CD Management	130	0	0	130	130	0	0	0	130
Pact	0	0	0	0	0	0	0	0	0
Seniors	0	5,420	4,991	429	0	0	430	0	(1)
TOTALS	\$ 85,822	\$ 583,438	\$ 558,381	\$ 110,879	\$ 83,929	\$ 0	\$ 22,712	\$ 1,893	\$ 88,167

**BOURBON COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005**

<u>Federal Grantor/ Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass - Through Grantor's Number</u>	<u>Federal Expenditures</u>
<u>U.S. DEPT. OF AGRICULTURE</u>			
Passed Through State Dept. of Education:			
National School Lunch	10.555	0575-04	\$ 581,196
Passed Through State Dept. of Agriculture:			
Food Distribution (In-Kind Commodities)	10.550		38,090
TOTAL U.S. DEPT. OF AGRICULTURE			<u>619,286</u>
<u>U.S. DEPT. OF EDUCATION</u>			
Passed Through State Dept. of Education:			
Adult Ed Basic	84.002		171,386
Title I	84.010	0351-04	408,482
Migrant Education Basic	84.011	0352-03	65,905
IDEA B	84.027	0581-04	496,401
Vocational Education	84.048	0462-03-32	25,175
Preschool - Early Childhood	84.173	0587-03-02	52,886
Title IV - Safe & Drug Free Schools	84.186	0590-03-02	8,873
Carol M. White Physical Education	84.215		238,630
Community Education	84.287		227,463
Title VI	84.298	0533-03-02	12,752
Technology Literacy Challenge	84.318	0736-04-02	8,862
Title II	84.367	0710-04-03	<u>93,797</u>
TOTAL U.S. DEPT. OF EDUCATION			<u>1,810,612</u>
<u>U.S. DEPT. OF HEALTH and HUMAN SERVICES</u>			
Passed Through State Dept. of Education:			
Head Start	93.660		1,142,173
TOTAL U.S. DEPT. OF NATIONAL & COMMUNITY SERVICE			<u>1,142,173</u>
<u>U.S. DEPT. OF NATIONAL & COMMUNITY SERVICE</u>			
Passed Through State Dept. of Education:			
Learn and Serve America	94.004		<u>2,881</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u>\$ 3,574,952</u>

**BOURBON COUNTY SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2005**

**NOTE 19 - BASIS OF PRESENTATION - SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Bourbon County School District and is presented on the accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Food Distribution

Non-monetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2005, the District received food commodities totaling \$38,090.

**BOURBON COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005**

A. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued (unqualified)

Internal control over financial reporting:

- Material weakness(es) identified? _____yes X no
- Reportable condition(s) identified that are not considered to be material weakness? _____yes X no

Noncompliance material to financial statements noted?

_____yes X no

Federal Awards

Internal control over majority programs:

- Material weakness(es) identified? _____yes X no
- Reportable condition(s) identified that are not considered to be material weakness(es)? _____yes X no

Type of auditor's report issued on compliance for the major programs (unqualified):

Any audit findings disclosed that are required to be report in accordance with section 510(a) of Circular A-133?

_____yes X no

Identification of major programs:

CFDA Number(s)

Name of Federal Program of Cluster

93.600
10.555
84.010
84.027

Head Start
National School Lunch Program
Title I
IDEA-Basic

Dollar threshold used to distinguish Between type A and type B programs:
Auditee qualified as low-risk auditee?

\$ 300,000
_____yes X no

**BOURBON COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005**

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

STATE AUDIT REQUIREMENTS

05-01 Condition: Observance of Single Salary Schedule per KRS 157.320 was not followed for one individual. One individual was paid an amount in excess of the approved salary schedule.

Response: The extra service salary schedule amounts were changed in the previous year. The MUNIS job class code has been changed to reflect the change in salary.

SUMMERS, MCCRARY & SPARKS, P.S.C.

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Kentucky State Committee For School District Audits
Members of the Board of Education
Bourbon County School District
Paris, Kentucky

We have audited the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Bourbon County School District (District) as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated September 23, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Procedures for Auditing Local Districts Fiscal Records*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the District in a separate letter dated September 23, 2005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain matters that we reported to management of the District in a separate letter dated September 23, 2005.

In addition, the results of our tests disclosed an instance of noncompliance of specific state statutes or regulations identified in *Appendix II of the Independent Auditor's Contract - State Audit Requirements*. See finding number **05-01** in the Schedule of Findings and Questioned Costs.

This report is intended solely for the information and use of the Board, management, the Kentucky Department of Education and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Summers, McCrary & Sparks, PSC

Summers, McCrary & Sparks, PSC
Lexington, Kentucky
September 23, 2005

SUMMERS, MCCRARY & SPARKS, P.S.C.
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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Kentucky State Committee For School District Audits
Members of the Board of Education
Bourbon County School District
Paris, Kentucky

Compliance

We have audited the compliance of the Bourbon County School District (District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the Board's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

Page Two

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses

This report is intended solely for the information and use of the Board, management, the Kentucky Department of Education and federal awarding agencies and pass-through agencies and is not intended to be and should not be used by anyone other than these specified parties.

Summers, McCrary & Sparks, PSC

Summers, McCrary & Sparks, PSC
Lexington, Kentucky
September 23, 2005

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Bourbon County School District
Paris, Kentucky

In planning and performing our audit of the financial statements of Bourbon County School District for the year ended June 30, 2005, we considered the District's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated September 23, 2005 on the financial statements of the Bourbon County School District.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various district personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Respectfully,

Summers, McCrary & Sparks, PSC

Summers, McCrary & Sparks, PSC
Lexington, Kentucky
September 23, 2005

**BOURBON COUNTY SCHOOL DISTRICT
MANAGEMENT POINTS
JUNE 30, 2005**

BOARD

1. Cash Disbursements

Comment: The District needs to strengthen and review the existing controls over the supporting documents for cash disbursements. When testing cash disbursements, we noted the following items: 1) three invoices did not have purchase orders; 2) one invoice did not agree with the purchase order; 3) sales tax was paid on one invoice; and 4) two purchase orders had been altered.

Response: Due to recent changes in personnel, there were a few minor findings. With training and experience, these should be eliminated or reduced.

2. Payroll

Comment: While reviewing the internal controls over payroll, we found three instances where Form I-9 was missing from the personnel files.

Response: A detailed checklist has been added to each folder. The personnel file will not consider complete without all documents.

**BOURBON COUNTY SCHOOL DISTRICT
MANAGEMENT POINTS
JUNE 30, 2005**

BOURBON COUNTY HIGH SCHOOL

Comment: While reviewing the forms for Athletic Ticket Sales (Form F-SA-1), we discovered six forms where explanations were not provided for discrepancies.

Recommendation: The Bookkeeper and Principal should review the "Ticket Sales" procedures section, item no. 6, of the UPASAF, which states that reconciliation, explanation of shortages/overages, and signatures should be recorded using Form F-SA-1.

Response: I have reviewed the procedures for the Ticket sales and we will note any discrepancies on the forms in the future for the ticket sales.

Comment: During our review of the Accounts Payable Listing, four items were added.

Recommendation: The Bookkeeper should review the "Financial Reports" section, items no. 1 and 4, of the UPASAF. Any items that were purchased or expenses that were incurred prior to or on June 30, 2005 for which the school had not yet paid at June 30, 2005 should all be listed on the Annual Financial Report (Form F-SA-15B).

Response: After discussion with the auditors the four items that were added were actually paid in July and were left off by error.

Comment: While reviewing cash disbursements, six invoices were found which were not signed for approval by the principal or faculty sponsor.

Recommendation: The Principal and Bookkeeper should review the "Purchasing" procedures section, item no. 4, of the UPASAF, which states that the vendor invoice and/or standard invoice must have the approval and signature of the principal and the faculty sponsor of the activity expending the monies before the payment process can be continued.

Response: I have received the recommendation and will try to have complete signatures on future invoices.

**BOURBON COUNTY SCHOOL DISTRICT
MANAGEMENT POINTS
JUNE 30, 2005**

BOURBON COUNTY MIDDLE SCHOOL

Comment: The list of accounts receivable (Form F-SA-15B) was not prepared with the Annual School Activity Report.

Recommendation: The Principal and Bookkeeper should review the "Financial Reports" policy section, item no.3, of the UPASAF, which states the school treasurer shall prepare the Annual School Activity Report (Forms F-SA-15A & 15B) at the end of the school year. Form F-SA-15B includes the schedule of accounts receivable.

Response: The incompleteness of the accounts receivable report was an oversight and will be corrected with the 2005-06 BCMS audit.

Comment: While reviewing transfers between activity funds, we discovered that Transfer Forms (Form F-SA-10) are not being used.

Recommendation: The Bookkeeper and Principal should review the "Transfers" policy section, item no. 1, of the UPASAF, which states amounts may be transferred between activity funds only by proper completion of a Transfer Form (Form-F-SA-10).

Response: Most all transfers were completed between accounts that do not require signatures from anyone other than the principal. This was discussed with the auditor and he explained transfer forms still needed to be completed. This will be corrected with the 2005-06 BCMS Audit.

Comment: During our review of ticket sales we discovered one instance where an explanation for an overage was not made upon completion of the reconciliation portion of the form.

Recommendation: The Bookkeeper, Principal, and Athletic Director should review the "Ticket Sales" policy and procedures sections of the UPASAF for detailed procedures on how to conduct ticket sales and complete the Report of Ticket Sales form, (Form F-SA-1).

Response: Explanations are currently noted on ballgame requisition forms. This was an oversight and very rarely do explanations not get noted on forms.

Comment: During our review of Cash Disbursements we found two purchase orders dated after their respective invoices.

Recommendation: The Bookkeeper and Principal should review the "Purchasing" procedures section, items no. 1 and 3, of the UPASAF, which states to initiate a purchase, a Purchase Order (Form F-SA-7) shall be prepared and approved by the sponsor and principal before payment is obligated.

Response: Purchase orders will be dated prior to invoice dates for the 2005-06 school year.

**BOURBON COUNTY SCHOOL DISTRICT
MANAGEMENT POINTS
JUNE 30, 2005**

CANE RIDGE ELEMENTARY

Comment: While reviewing the transfers between activities, we found one transfer that did not have a Transfer Form (Form-F-SA-10) not completed.

Recommendation: The Bookkeeper and Principal should review the "Transfers" policy section, item no. 1, of the UPASAF, which states amounts may be transferred between activity funds only by proper completion of a Transfer Form (Form-F-SA-10).

Response: The bookkeeper shared this report with the principal and discussed how "Transfers" need to be filled out properly. The bookkeeper then reviewed the policy for handling transfers.

NORTH MIDDLETOWN ELEMENTARY

Comment: During our review of the Accounts Payable Listing, six items were added.

Recommendation: The Bookkeeper should review the "Financial Reports" section, items no. 1 and 4, of the UPASAF. Any items that were purchased or expenses that were incurred prior to or on June 30, 2005 for which the school had not yet paid at June 30, 2005 should all be listed on the Annual Financial Report (Form F-SA-15B).

Response: We followed the recommendations from the audit and reviewed the "Financial Reports" policy section, item no. 1 and 4 of the UPASAF.

Comment: The list of accounts receivable (Form F-SA-15B) was not prepared with the Annual School Activity Report.

Recommendation: The Principal and Bookkeeper should review the "Financial Reports" policy section, item no.3, of the UPASAF, which states the school treasurer shall prepare the Annual School Activity Report (Forms F-SA-15A & 15B) at the end of the school year. Form F-SA-15B includes the schedule of accounts receivable and accounts payable.

Response: We followed the recommendations from the audit and reviewed the "Financial Reports" policy section, item no. 3 of the UPASAF.

BOURBON CENTRAL ELEMENTARY

NO FINDINGS

MILLERSBURG ELEMENTARY

NO FINDINGS